

STATE PLUMBING BOARD OF LOUISIANA

AGREED-UPON PROCEDURES REPORT

FOR THE YEAR ENDED JUNE 30, 2012

INDEX TO REPORT

Independent Accountant's Report on Applying Agreed-Upon Procedures	1 – 7
Summary Schedule of Findings	8
Summary Schedule of Prior Year Findings	9
Schedule of Per Diem Paid to Commissioners	10

Hienz & Macaluso LLC

Certified Public Accountants

Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended June 30, 2012

September 13, 2012

To the Board of Directors
State Plumbing Board of Louisiana
Baton Rouge, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the State Plumbing Board of Louisiana is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the State Plumbing Board of Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the State Plumbing Board of Louisiana's compliance with certain laws and regulations during the year ended June 30, 2012.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

General

1. Determine if there are adequate written policies and procedures for the primary financial/business functions of the entity (budgeting, receipts, purchasing, disbursements, payroll/personnel, contracting, travel, related parties, and ethics).

We determined that there are adequate written policies and procedures over the areas listed above.

2. Using the financial statements or AFR, perform analytical procedures comparing current and prior year financial statements, by line item. Identify and obtain explanations for variances of 10% or greater for line items that are 10% or more of the respective total assets, liabilities, equity, revenues, or expenses.

We identified the following variances and obtained the required explanations as follows:

Cash and cash equivalents (increase of 68%) due to an increase in CPE provider fee revenue and decrease in operating expenses for the fiscal year.

Investment (decrease 20%) due to withdrawing principal from a certificate of deposit for the purchase of a vehicle.

Receivables (increase 152%) due to CPE provider fee, a new revenue source.

Licenses, permits, and fees (increase 15% increase) derived from additional revenue generated from CPE provider fee.

Cost of sales and services (decrease 10%) due primarily to a decrease in salaries, operating services, and professional services.

Cash

1. Prepare a proof of cash for the period covered by the financial statements.

We prepared a proof of cash for the year ended June 30, 2012.

2. Determine if cash collection responsibilities are adequately segregated to ensure that the person responsible for cash collections is not responsible for posting accounts receivable or making deposits.

We determined that cash collection procedures are adequately segregated.

3. Determine if bank reconciliations have been prepared for all months in the period covered by the financial statements. Determine if there is evidence of management review of the bank reconciliations. Determine if the reconciled balance for the final month of the fiscal year agrees to the general ledger.

We determined that bank reconciliations have been prepared for all months in the period covered by the financial statements and that the reconciled balance for the final month of the fiscal year agrees to the general ledger.

We determined that there is evidence of management review of the bank reconciliations.

Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

Management provided us with the required listing.

2. Obtain the monthly statements for all credit/debit cards used during the period under examination and select for detailed review the largest (dollar amount) statement for the two cards with the most (dollar amount) activity:

We obtained the required monthly statements and selected the largest statements for the two cards with the most activity.

A. Obtain the entity's supporting documentation for the largest purchase/charge shown on each selected monthly statement:

- Determine if each purchase is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

We determined that each purchase was supported by an original itemized receipt, documentation of the business/public purpose, and other documentation as required by policy.

- Determine if selected purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

We determined that the selected purchases did not circumvent the entity's normal procurement/purchasing process and/or Louisiana Public Bid Law.

B. Determine if there is evidence of management review of the two selected statements.

We determined there is evidence of management review of the selected statements.

Travel and Expense Reimbursement

1. Obtain a listing of all travel and related expense reimbursements during the period under examination and trace to the general ledger for completeness. Select for review the three persons who were reimbursed the most money:

Management provided us with the required listing and we traced to the general ledger for completeness. We selected for review the three persons reimbursed the most money.

A. Obtain all of the expense reimbursement reports of each selected person, including the supporting documentation, and choose the largest expense report from each person to review in detail:

- Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.) and applicable laws.
 - For an appropriate and necessary business purpose relative to the travel

We obtained the required reports and determined that each expenditure was reimbursed in accordance with written policy and applicable laws and was for an appropriate business purpose.

- Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

[Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
- Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

We determined that each expenditure was supported by an original itemized receipt, documentation of the business/public purpose, and any other documentation required by policy.

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We determined that each expense report was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

1. Review accounting records (e.g., general ledgers, accounts payable reports, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and determine if there is a formal/written contract that supports the services arrangement.

Not Applicable.

2. Obtain a listing of all active contracts and the expenditures made during the period under examination and trace to the general ledger for completeness. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

(1) Services

(2) Materials and supplies

(3) Public works

Not Applicable.

- A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction by obtaining management's representation.

Not Applicable.

- Determine if the transaction is subject to the Louisiana Public Bid Law or Procurement Code:

- If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)

We determined that the applicable contracts complied with all requirements of Louisiana Public Bid Law.

- If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

Not Applicable.

- Determine if the contract was amended. If so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

Not Applicable.

- Select the largest payment from each of the 3 largest contracts selected above and determine if the invoice(s) received and payment complied with the terms and conditions of the contract.

Not Applicable.

- Determine if there is documentation of board approval, if required.

Not Applicable.

Payroll and Personnel

1. Obtain a listing of employment contracts/salaries in force during the period under examination and trace to the general ledger for completeness. Select the five highest paid employees and:

We selected the five highest paid employees during the period and performed the required procedures.

- Determine if payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract or pay rate structure.

We determined that payments issued during the period were done in accordance with the required terms and conditions of the civil service.

We noted a single employee that is not subject to the civil service and lacked formal documentation of rate of pay.

- Determine if changes made to hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

We determined that changes made to hourly pay rates/salaries were approved in writing and in accordance with policy.

2. Select the attendance and leave records for one pay period in which leave has been taken by at least one employee and:

- Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if

the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We determined that all employees are documenting their daily attendance and leave.

- Determine if supervisors are approving, in writing, the attendance and leave of all employees.

We noted one instance in which written approval was not provided by a supervisor for a staff member's leave record.

We determined that the board did not provide written approval of leave records for the executive director.

- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

We determined that the entity is maintaining accurate written leave records on all eligible employees.

3. Select the two largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and properly approved.

We reviewed the one payment for accrued accumulated leave and found adequate and approved supporting documentation in accordance with the policy.

Budget

1. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget and all amendments.

2. Trace the budget adoption and amendments to the minute book.

We determined that there was no motion for the adoption of the budget in the minute book.

3. Compare the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the financial statements or AFR. Report variances of 10% or greater.

We compared the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the AFR and determined the final variances:

Total revenues were over budgeted by 2.29% due to a decrease in license revenue. Total expenditures were 10% more than budgeted expenditures primarily due to more than expected expenditures for operating services.

Debt Service

1. If debt was issued during the financial statement period, verify that State Bond Commission approval was obtained, as applicable.

Not Applicable.

2. Determine compliance with applicable debt covenants.

Not Applicable.

Corrective Action

1. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See attached summary schedule of findings.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the State Plumbing Board of Louisiana and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC

Metairie, LA

**STATE PLUMBING BOARD OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Finding 2012-01 Pay Rate Structure

There was no documentation of pay rate structure in the personnel file for an employee as enumerated in Payroll and Personnel procedure #1

Management's Corrective Action Plan:

This was an instance with one employee that is not classified. Since made aware of the need for Board approval for pay rates in such instances, a submission will be made to the Board for approval at our next meeting. This item has been placed on our September 2012 agenda. This finding will be corrected as of September 13, 2012.

Finding 2012-02 Approval of Leave

There was no written approval of leave records for the executive director. There was an isolated incident in which an employee did not have a leave request approved as enumerated in Payroll and Personnel procedure #2

Management's Corrective Action Plan:

Executive Director will now have an officer of the Board sign off on his leave. Management recognized this isolated incident for the employee leave and that this leave record was overlooked. Management will be more diligent in ensuring all leave records are approved in writing.

Finding 2012-03 Budget Approval

There was no motion by the board to approve the annual budget as enumerated in Budget procedure #2

Management's Corrective Action Plan:

The budget was discussed at the November 2011 Board meeting but a motion was never made. The budget will be again presented at the September 2012 board meeting and will have a formal motion to approve. As it had been in the past, a motion will be made for budget approval every year going forward. This finding will be corrected as of September 13, 2012.

**STATE PLUMBING BOARD OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Finding 2011-1 Home storage/personal assignment of a state vehicle

We determined that the executive director for the Board keeps this vehicle off-site at his personal residence after normal business hours. This is in violation of the Louisiana Administrative Code (LAC), Title 34, Part XI under Fleet Management. (Unresolved)

Finding 2011-2 Financial Reporting

Due to significant turnover in personnel, we determined that the Board did not have adequate controls in place to ensure timely and accurate general ledger postings and financial reporting. This resulted in the need for a number of adjusting journal entries to correct mispostings as part of the audit. (Unresolved)

**STATE PLUMBING BOARD OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO COMMISSIONERS
FOR THE YEAR ENDED JUNE 30, 2012**

Marty Poche	\$ 2,700
Michael DeLaune	2,400
Allen St. Pierre	2,775
Jerry Savoy	2,400
Leonard Irvin	2,775
Ricky Bosco	825
William Cunningham	<u>75</u>
Total	<u>\$13,950</u>